

**GREEN HILLS AEA**

**INDEPENDENT AUDITOR'S REPORTS  
BASIC FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**June 30, 2014**

## CONTENTS

<b>OFFICIALS</b>		1
<b>AREA SERVED</b>		2-3
<b>INDEPENDENT AUDITOR'S REPORT</b>		4-6
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&amp;A)</b>		7-12
<b>BASIC FINANCIAL STATEMENTS</b>	<b><u>Exhibit</u></b>	
Government-Wide Financial Statements:		
Statement of Net Position	A	13
Statement of Activities	B	14
Governmental Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	F	18
Notes to Financial Statements		19-29
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>		
Statement of Revenues, Expenditures/Expenses and Changes in Balances – Budget and Actual - All Governmental Funds and Proprietary Fund		30
Note to Required Supplementary Information – Budgetary Reporting		31
Schedule of Funding Progress for the Retiree Health Plan		32

**CONTENTS**  
**(Continued)**

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<b>OTHER SUPPLEMENTARY INFORMATION</b>		
	<b><u>Schedule</u></b>	
Changes in Assets and Liabilities -		
Fiduciary Fund Type - Agency Fund	1	33
Department of Public Health Grants	2	34
Department of Human Services Grants	3	35
Schedule of Revenues by Source and		
Expenditures by Function - All Governmental Funds	4	36

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<b>SINGLE AUDIT REPORTS AND RELATED SCHEDULE</b>	<b><u>Schedule</u></b>	
Supplementary Schedule of Expenditures of Federal Awards	5	37-38

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<b>INDEPENDENT AUDITOR'S REPORT</b>		
<b>ON INTERNAL CONTROL OVER FINANCIAL REPORTING</b>		
<b>AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN</b>		
<b>AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN</b>		
<b>ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS</b>		39-40

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<b>INDEPENDENT AUDITOR'S REPORT</b>		
<b>ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM</b>		
<b>AND ON INTERNAL CONTROL OVER COMPLIANCE</b>		
<b>REQUIRED BY OMB CIRCULAR A-133</b>		41-42

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<b>SCHEDULE OF FINDINGS AND QUESTIONED COSTS</b>		43-44
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**GREEN HILLS AEA**

**OFFICIALS**  
**June 30, 2014**

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<i><b>NAME</b></i>	<i><b>TITLE</b></i>	<i><b>TERM EXPIRES</b></i>
<b>Board of Directors</b>		
Raymond Storm	Chairperson	2015
Julie Wilken	Vice Chairperson	2017
Karen Thomsen	Member	2015
Richard Schenck	Member	2017
Jere Ann (Jake) Powers	Member	2015
Ed Gambs	Member	2015
Marland Gammon	Member	2015
Randy Brown	Member	2017
Kenneth Lee	Member	2017
<b>Agency</b>		
Lane Plugge	Administrator	Indefinite
Linda Perdue	Board Secretary/ Administrative Assistant	Indefinite
Emily Nelson	Board Treasurer/Director, Finance	Indefinite

**GREEN HILLS AEA**

**AREA SERVED**

**June 30, 2014**

<i>COUNTY</i>	<i>COMMUNITY SCHOOL DISTRICT</i>	<i>INDEPENDENT SCHOOL</i>
Adair	Nodaway Valley Orient-Macksburg	
Adams	Corning Prescott	
Cass	Atlantic CAM Griswold	
Clarke	Clarke Murray	
Crawford	IKM – Manning	
Decatur	Central Decatur Lamoni	
Fremont	Farragut Fremont-Mills Hamburg Sidney	
Harrison	Boyer Valley Logan-Magnolia Missouri Valley West Harrison Woodbine	
Mills	Glenwood East Mills	
Montgomery	Red Oak Stanton Villisca	

**GREEN HILLS AEA**

**AREA SERVED (Continued)**  
**June 30, 2014**

<i>COUNTY</i>	<i>COMMUNITY SCHOOL DISTRICT</i>	<i>INDEPENDENT SCHOOL</i>
Page	Clarinda Essex Shenandoah South Page	Clarinda Lutheran Schools
Pottawattamie	A-H-S-T Council Bluffs Lewis Central Riverside Treyner Tri-Center Underwood Walnut	Heartland Christian School Council Bluffs Catholic Schools
Ringgold	Diagonal Mount Ayr	
Shelby	Elk Horn-Kimballton Harlan	Shelby County Catholic School
Taylor	Bedford Clearfield Lenox	
Union	Creston East Union	Creston Catholic School
Wayne	Mormon Trail	



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Green Hills AEA  
Council Bluffs, Iowa

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Green Hills AEA (the "Agency") as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements listed in the table of contents.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Green Hills AEA at June 30, 2014, and the respective changes in financial position for the year then ended in accordance with U.S. generally accepted accounting principles.

## **Other Matters**

### *Required Supplementary Information*

U.S. generally accepted accounting principles require Management's Discussion and Analysis, the Budgetary Comparison Information and the Schedule of Funding Progress for the Retiree Health Plan on pages 7 through 12 and 30 through 32 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Green Hills AEA's basic financial statements. We previously audited, in accordance with the standards referred to in the third paragraph of this report, the financial statements for the three years ended June 30, 2013 (which are not presented herein) and expressed unmodified opinions on those financial statements. The supplementary information included in Schedules 1 through 5, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated November 17, 2014 on our consideration of Green Hills AEA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Green Hills AEA's internal control over financial reporting and compliance.

### **Schnurr & Company, LLP**

Fort Dodge, Iowa  
November 17, 2014



## **GREEN HILLS AEA**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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Green Hills AEA (the "Agency") provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the year ended June 30, 2014. We encourage readers to consider this information in conjunction with the Agency's financial statements, which follow.

### **2014 FINANCIAL HIGHLIGHTS**

- General Fund revenues were \$29,835,748 in fiscal year 2014 while General Fund expenditures were \$30,517,372 and other financing uses were \$304,937. This resulted in a decrease of \$986,561 in the Agency's General Fund balance.
- The Agency used insurance proceeds to pay for the completion of the Creston Regional Office remodeling, a roofing project at the Peterson Regional Office, a driveway resurfacing project at the Halverson Center, and a stucco project at the Halverson Center. These funds were in the Committed for Tornado Recovery Fund Balance at June 30, 2013.
- The General Fund balance decreased primarily because expenditures exceeded revenue in the Special Education Program.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

- Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Agency's financial activities.
- The Government-wide Financial Statements consist of a Statement of Net Position and a Statement of Activities. These provide information about the activities of the Agency as a whole and present an overall view of the Agency's finances.
- The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the Agency's operations in more detail than the government-wide financial statements by providing information about the most significant funds.
- Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.
- Required Supplementary Information further explains and supports the financial statements with a comparison of the Agency's budget for the year, as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.
- Supplementary Information provides detailed information about the nonmajor funds. In addition, the Schedule of Expenditures of Federal Awards provides details of various federal programs benefiting the Agency.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **REPORTING THE AGENCY'S FINANCIAL ACTIVITIES**

#### **Government-Wide Financial Statements**

The government-wide statements report information about the Agency as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Agency's assets, deferred outflow of resources, liabilities and deferred inflow of resources, with the difference reported as net position. All of the current year revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide statements report the Agency's net position and how it has changed. Net position is one way to measure the Agency's financial health or financial position. Over time, increases or decreases in the Agency's net position is an indicator of whether financial position is improving or deteriorating. To assess the Agency's overall health, additional non-financial factors, such as changes in the Agency's property tax base and the condition of its facilities, need to be considered.

In the government-wide financial statements, the Agency's activities are all in governmental activities:

- *Governmental activities:* All of the Agency's basic services are included here, such as regular and special education instruction, student and instructional staff support services and administration. Property tax passed through local schools, federal and state aid finance most of these activities.

#### **Fund Financial Statements**

The fund financial statements provide detailed information about the Agency's funds, focusing on its most significant or "major" funds – not the Agency as a whole. Funds are accounting devices the Agency uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law or by bond covenants. The Agency establishes other funds to control and manage money for particular purposes, such as accounting for major construction projects or to show that it is properly using certain revenues, such as federal grants.

The Agency has a governmental fund:

- *Governmental Funds* account for all of the Agency's basic services. These funds focus on how cash and other financial assets that can readily be converted to cash flow in and out and the balances left at year-end available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Agency's programs. The Agency's governmental funds include the General Fund, the Special Revenue Fund, and the Capital Projects Fund.

The required governmental funds financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances.

Reconciliation between the government-wide financial statements and the governmental fund financial statements follow the governmental fund financial statements.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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### GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of financial position. The Agency's net position at the end of fiscal year 2014 totaled approximately \$4.2 million. The analysis that follows provides a summary of the Agency's net position at June 30, 2014 for the governmental activities.

	<b>Condensed Statement of Net Position (Expressed in Thousands)</b>	
	<b>Governmental Activities</b>	<b>Total</b>
Current and other assets	\$ 6,585	\$ 6,585
Capital assets	2,195	2,195
<b>Total assets</b>	<b>8,780</b>	<b>8,780</b>
Long-term obligations	1,010	1,010
Other liabilities	3,534	3,534
<b>Total liabilities</b>	<b>4,544</b>	<b>4,544</b>
Net position:		
Net investment in capital assets	2,195	2,195
Restricted	349	349
Unrestricted	1,692	1,692
<b>Total net position</b>	<b>\$ 4,236</b>	<b>\$ 4,236</b>

The Agency's total net position decreased 25%, or approximately \$1,390,000, from fiscal year 2013. The decrease occurred primarily in governmental activities as a result of using fund balance in special education to provide services to local school districts during the year ended June 30, 2014 and to complete capital projects. The decrease in unrestricted net position was primarily due to the Agency using carryover fund balances to meet its financial obligations during the year and recording the net OPEB liability in the current year.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS (continued)**

The following analysis details the changes in net position resulting from the Agency's activities.

	<b>Net Position (Expressed in Thousands)</b>	
	<b>Governmental Activities</b>	<b>Total</b>
Revenues:		
Program revenues:		
Charges for service	\$ 1,654	\$ 1,654
Operating grants and contributions	14,097	14,097
General revenues:		
Property taxes	6,944	6,944
State aid	7,279	7,279
Juvenile home reimbursement	389	389
Unrestricted investment earnings	1	1
<b>Total revenues</b>	<b>30,364</b>	<b>30,364</b>
Program expenses:		
Instruction	2,864	2,864
Student support services	14,050	14,050
Instructional staff support services	6,200	6,200
General administration	3,136	3,136
Business administration	665	665
Plant operations and maintenance	835	835
Central and other support services	1,674	1,674
Community service	102	102
Facilities acquisition & construction	305	305
Pass Through to LEAs	1,923	1,923
<b>Total program expenses</b>	<b>31,754</b>	<b>31,754</b>
Decrease in net position	(1,390)	(1,390)
Net position beginning of year	5,626	5,626
<b>Net position end of year</b>	<b>\$ 4,236</b>	<b>\$ 4,236</b>

Operating grants and contributions from local, state and federal sources account for 46.4% of the total governmental activities revenue while general revenues account for 48.1%. The Agency's expenses primarily relate to instruction, support services, and funds passed through to LEAs, which account for 78.8 % of the total governmental activities expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$30,364,585 and expenses were \$31,754,286. Net position decreased \$1,389,701.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **INDIVIDUAL FUND ANALYSIS**

As previously noted, the Agency uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The Agency's governmental funds reported combined fund balances of \$3,050,804 at June 30, 2014. Expenditures and other financing uses exceeded revenues and other financing sources by \$986,561, thereby decreasing the Agency's fund balance. The primary reason expenditures exceeded revenue was due to expenditures exceeding revenue in the special education program and capital projects.

#### **Governmental Fund Highlights**

- The Agency's decreasing General Fund financial position is due to expenditures exceeding revenue in the special education program and capital projects.

### **BUDGETARY HIGHLIGHTS**

The Agency's Board of Directors annually adopts a budget on a basis consistent with U.S. generally accepted accounting principles. Although the budget document presents functional disbursements by fund, the legal level of control is at the total expenditure level, not at the fund or fund type level. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board. Over the course of the year, the Agency amended its annual operating budget once to reflect additional revenue and expenditures associated with new grants and other information such as salary increases for staff, which were not available when the original budget was adopted. A schedule showing the original and final budget amounts compared to the Agency's actual financial activity is included in the required supplementary information section of this report.

### **CAPITAL ASSET AND DEBT ADMINISTRATION**

#### **Capital Assets**

At June 30, 2014, the Agency had invested \$2,195,418, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, a media collection, vehicles and equipment.

The Agency had depreciation expense of \$590,170 in fiscal year 2014 and total accumulated depreciation of \$2,817,226 at June 30, 2014. The Agency also had net disposals of \$6,941 in 2013/14. More detailed information about capital assets is available in Note 4 to the financial statements.

#### **Long-term Debt**

At June 30, 2014, the Agency had \$1,009,820 of long-term debt, which is the Net OPEB obligation. More detailed information about the Agency's long-term liabilities is available in Note 5 to the financial statements.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

At the time these financial statements were prepared and audited, the Agency was aware of several existing circumstances that could significantly affect its financial health in the future:

- The Agency has experienced an annual decrease in the number of students enrolled in local districts for the past several years. That decrease is expected to continue, and decreased enrollment means decreased funding from the state.
- While much of the sequestration reduction at the Federal level was returned to the Agency for 2014/15, the Agency's special education funding still has not returned to the 2012/13 level and future increases are uncertain.
- The Iowa Legislature cut state aid to area education agencies by \$15,000,000 in 2013/14 and continued that cut to 2014/15. This means the Agency is short approximately \$1,100,000 of special education funding. The level of funding from the 2015 Legislature remains uncertain. The loss of state aid funding has created a shortfall in the special education program that the Agency will address over the next couple of years to maintain financial health.

### **CONTACTING THE AGENCY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the Agency's citizens, taxpayers, customers, investors and creditors with a general overview of the Agency's finances and to demonstrate the Agency's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of Finance, Green Hills AEA, PO Box 1109, Council Bluffs, Iowa 51502.

## **BASIC FINANCIAL STATEMENTS**



**GREEN HILLS AEA**



<b>GREEN HILLS AEA</b>		<b>Exhibit A</b>
<b>STATEMENT OF NET POSITION</b>		
<b>June 30, 2014</b>		
		<b>Total Governmental Activities</b>
<b>Assets</b>		
Cash and pooled investments		\$ 4,155,818
Receivables:		
Accounts		89,370
State aid		317,117
Federal		1,353,925
Other		459,949
Prepaid expenses		182,711
Inventories		25,910
Capital assets, net of accumulated depreciation		2,195,418
<b>Total assets</b>		<b>8,780,218</b>
<b>Liabilities</b>		
Accounts payable		915,943
Intergovernmental payable		50,140
Accrued payroll		2,326,934
Accrued compensated absences		128,961
Deposits held in custody for others		112,018
Long-term liabilities:		
Portion due or payable after one year:		
Net OPEB liability		1,009,820
<b>Total liabilities</b>		<b>4,543,816</b>
<b>Net Position</b>		
Net investment in capital assets		2,195,418
Restricted for:		
Special education instruction		66,693
Categorical aid carryover		282,189
Unrestricted		1,692,102
<b>Total net position</b>		<b>\$ 4,236,402</b>
See Notes to Financial Statements.		

<b>GREEN HILLS AEA</b>			
<b>STATEMENT OF ACTIVITIES</b>			
<b>Year Ended June 30, 2014</b>			
		<b>Program Revenues</b>	
	<b>Expenses</b>	<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>
<b>Functions/Programs:</b>			
Governmental Activities:			
Instruction	\$ 2,864,074	\$ 159,662	\$ 1,420,147
Student support services	14,049,720	756,354	8,514,955
Instructional staff support services	6,200,447	357,800	1,826,316
General administration	3,135,581	-	172,445
Business administration	665,811	47,177	-
Plant operations and maintenance	835,497	-	-
Central and other support services	1,673,701	334,545	139,856
Community service	101,877	-	100,587
Facilities acquisition and construction	304,937	-	-
Pass through to LEAs	1,922,641	-	1,922,641
<b>Total governmental activities</b>	<b>\$ 31,754,286</b>	<b>\$ 1,655,538</b>	<b>\$ 14,096,947</b>
General Revenues:			
Property taxes			
State aid			
Juvenile home reimbursement			
Unrestricted investment earnings			
<b>Total general revenues</b>			
<b>Change in net position</b>			
Net assets beginning of year			
Net assets end of year			
See Notes to Financial Statements.			

		<b>Exhibit B</b>
<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Governmental Activities</b>	<b>Total</b>	
\$ (1,284,265)	\$ (1,284,265)	
(4,778,411)	(4,778,411)	
(4,016,331)	(4,016,331)	
(2,963,136)	(2,963,136)	
(618,634)	(618,634)	
(835,497)	(835,497)	
(1,199,300)	(1,199,300)	
(1,290)	(1,290)	
(304,937)	(304,937)	
-	-	
(16,001,801)	(16,001,801)	
6,943,581	6,943,581	
7,279,033	7,279,033	
388,634	388,634	
852	852	
14,612,100	14,612,100	
(1,389,701)	(1,389,701)	
5,626,103	5,626,103	
\$ 4,236,402	\$ 4,236,402	

**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**June 30, 2014**See Notes to Financial Statements.

				<b>Exhibit C</b>
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
<b>Liabilities and Fund Balances</b>				
Accounts payable	\$ 866,320	\$ 25	\$ 49,598	\$ 915,943
Intergovernmental payable	50,140	-	-	50,140
Accrued payroll	2,266,501	60,433	-	2,326,934
Accrued compensated absences	128,961	-	-	128,961
Due to other funds	86,208	58,556	-	144,764
Deposits held in custody for other	112,018	-	-	112,018
<b>Total liabilities</b>	<b>3,510,148</b>	<b>119,014</b>	<b>49,598</b>	<b>3,678,760</b>
Fund balances:				
Nonspendable:				
Inventories and prepaid expenses	208,621	-	-	208,621
Restricted:				
Categorical aid carryover	282,189	-	-	282,189
Committed:				
Tornado recovery				-
Assigned:				
Assigned for subsequent year's expenditures	178,770	-	-	178,770
Unassigned	2,381,224	-	-	2,381,224
<b>Total fund balances</b>	<b>3,050,804</b>	<b>-</b>	<b>-</b>	<b>3,050,804</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,560,952</b>	<b>\$ 119,014</b>	<b>\$ 49,598</b>	<b>\$ 6,729,564</b>

<b>GREEN HILLS AEA</b>	<b>Exhibit D</b>
<b>RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION</b>	
<b>June 30, 2014</b>	
<b>Total governmental fund balances (page 15)</b>	<b>\$ 3,050,804</b>
<i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i>	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds. The cost of assets is \$5,012,644 and the accumulated depreciation is \$2,817,226.	2,195,418
Long-term liabilities, including the Net OPEB Liability, are not due and payable in the current period and, therefore, not reported in the governmental funds.	(1,009,820)
<b>Net position of governmental activities (page 13)</b>	<b>\$ 4,236,402</b>
See Notes to Financial Statements.	

<b>GREEN HILLS AEA</b>				<b>Exhibit E</b>
<b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS</b>				
<b>Year Ended June 30, 2014</b>				
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Total</b>
Revenues:				
Local sources	\$ 9,635,371	\$ 112,926	\$ -	\$ 9,748,297
State sources	9,397,019	415,911	-	9,812,930
Federal sources	10,803,358	-	-	10,803,358
<b>Total revenues</b>	<b>29,835,748</b>	<b>528,837</b>	<b>-</b>	<b>30,364,585</b>
Expenditures:				
Current:				
Instruction	2,345,217	509,827	-	2,855,044
Student support services	13,678,336	-	-	13,678,336
Instructional staff support services	6,183,696	2,233	-	6,185,929
General administration	3,091,685	11,932	-	3,103,617
Business administration	641,967	-	-	641,967
Plant operations and maintenance	898,590	4,845	-	903,435
Central and other support services	1,654,653	-	-	1,654,653
Community services	100,587	-	-	100,587
Facilities acquisition and construction	-	-	304,937	304,937
Pass through to LEAs	1,922,641	-	-	1,922,641
<b>Total expenditures</b>	<b>30,517,372</b>	<b>528,837</b>	<b>304,937</b>	<b>31,351,146</b>
<b>Deficiency of revenues (under) expenditures</b>	<b>(681,624)</b>	<b>-</b>	<b>(304,937)</b>	<b>(986,561)</b>
Other Financing Sources (Uses):				
Transfers in			304,937	304,937
Transfers out	(304,937)			(304,937)
<b>Total other financing source</b>	<b>(304,937)</b>	<b>-</b>	<b>304,937</b>	<b>-</b>
<b>Change in fund balances</b>	<b>(986,561)</b>	<b>-</b>	<b>-</b>	<b>(986,561)</b>
Fund balance, beginning of year	4,037,365	-	-	4,037,365
Fund balance, end of year	<b>\$ 3,050,804</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,050,804</b>
See Notes to Financial Statements.				

<b>GREEN HILLS AEA</b>		<b>Exhibit F</b>
<b>RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES</b>		
<b>Year Ended June 30, 2014</b>		
<b>Change in fund balances - Total governmental funds (page 17)</b>		<b>\$ (986,561)</b>
<i>Amounts reported for governmental activities in the Statement of Activities are different because:</i>		
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the estimated useful lives of the assets. Depreciation expense and disposals exceeded capital outlay in the current year as follows:		
Expenditures for capital assets	\$ 322,971	
Disposals	(6,941)	
Depreciation expense	(590,170)	(274,140)
The accrual for the long-term portion of other post employment benefits is not due in the current period and, therefore, is not reported in the governmental fund. However, such accrual is recorded as an expense in governmental activities. The other postemployment benefits increased, as follows:		
Other postemployment benefits	(129,000)	(129,000)
<b>Change in net position of governmental activities (page 14)</b>		<b>\$ (1,389,701)</b>
See Notes to Financial Statements.		

## GREEN HILLS AEA

### NOTES TO FINANCIAL STATEMENTS

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#### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Green Hills AEA (the Agency) is an intermediate school corporation established to identify and serve children who require special education. The Agency also provides media services and education support services. These programs and support services are provided to 53 school districts and private schools in a 17-county area. The Agency is governed by a Board of Directors whose members are elected on a non-partisan basis.

The Agency's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **Reporting Entity:**

For financial reporting purposes, the Agency has included all funds, organizations, agencies, boards, commissions and authorities. The Agency has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Agency are such that exclusion would cause the Agency's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Agency to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the Agency. The Agency has no component units that meet the Governmental Accounting Standards Board (GASB) criteria.

##### **Basis of Presentation:**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the activities of the Agency. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Position presents the Agency's nonfiduciary assets and liabilities, with the difference reported as net position. Net position is reported in the following categories:

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, notes, and other debt attributable to the acquisition, construction, or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or are imposed by law through constitutional provisions or enabling legislation. Enabling legislation did not result in any restricted net position.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position is often subject to constraints imposed by management that can be removed or modified.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Basis of Presentation (continued):**

Government-wide Financial Statements (continued) – The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Unrestricted interest income and other items not properly included among program revenues are reported as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The Agency reports the following major governmental funds:

- The General Fund is the general operating fund of the Agency. All general revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support, and other costs.
- The Special Revenue Fund is used to account for programs where the Agency employs teachers to provide instruction to juvenile home program students and to special education pupils. The actual costs of providing instructional services to the pupils are reimbursed by the State of Iowa for the juvenile home program and are billed to the individual school districts for special education instruction.
- The Capital Projects Fund is used to account for the capital project activity of the Agency. The expenditures incurred within this fund will be paid primarily with insurance proceeds received by the Agency.

The Agency also serves as custodian of certain funds on behalf of other organizations. Such amounts are maintained in fiduciary funds which, because they are not direct assets or liabilities of the Agency, are not reported in the accompanying financial statements.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Measurement Focus and Basis of Accounting:**

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Agency considers revenues to be available if they are collected within 60 days after year-end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the Agency.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Agency funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Agency's policy to first apply cost-reimbursement grant resources to such programs and then general revenues.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the Agency's policy is to pay the expenditure from restricted fund balance and then from, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Assets, Liabilities and Fund Equity:

Cash and Pooled Investments – Cash includes amounts in demand deposits and money market funds. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust (ISJIT) that is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

Inventories – Inventories are stated at cost using the first-in, first-out (FIFO) method and consist of expendable supplies and materials. The cost of these items is recorded as an expenditure at the time of consumption.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental activities column in the government-wide Statement of Net Position. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the Agency as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

Land	\$ 5,000
Buildings	20,000
Improvements other than buildings	20,000
Furniture and equipment	5,000
Vehicles	5,000
Media collection	5,000

Additionally, the entire media collection will be considered in aggregate.

Capital assets of the agency are depreciated/amortized using the straight-line method of depreciation/amortization over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50
Improvements other than buildings	20-50
Furniture and equipment	5
Vehicles	5
Media collection	5

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### **Assets, Liabilities and Fund Equity (continued):**

Salaries and Benefits Payable – Payroll and related expenses for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deposits Held in Custody for Others – Deposits held in custody for others represents an excess of cash advances by the funding sources over accrued expenditures at year-end.

Compensated Absences – Agency employees accumulate a limited amount of earned but unused vacation and sick leave hours for subsequent use or, in the case of vacation leave, for payment upon termination, death or retirement. This liability has been computed based on rates of pay in effect at June 30, 2014. The compensated absences liability attributable to the government activities will be paid primarily by the General and Special Revenue Funds. Agency policy requires that the carryover of accrued vacation leave must be used by June 30 of the ensuing fiscal year, and has therefore recorded the entire amount as a current liability in the Government-wide financial statements.

Long-term Liabilities – In the Government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Position.

Fund Balances – In the governmental fund financial statements, fund balances are classified as follows:

*Nonspendable* – Amounts which cannot be spent because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

*Restricted* – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or are imposed by law through constitutional provisions or enabling legislation.

*Committed* – Amounts which can be used only for specific purposes determined pursuant to constraints formally imposed by the Board of Directors through resolution approved prior to year-end. Committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same action it employed to commit these amounts.

*Unassigned* – All amounts not included in the preceding classifications.

#### **Budgets and Budgetary Accounting:**

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 2. CASH AND POOLED INVESTMENTS

The Agency's deposits in banks at June 30, 2014 were entirely covered by Federal depository insurance or by the State sinking fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The Agency is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Directors; prime eligible bankers' acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Agency had investments in the Iowa Schools Joint Investment Trust Direct Government Obligation Portfolio which are valued at an amortized cost of \$3,644,355 pursuant to Rule 2a-7 under the Investment Company Act of 1940. The investment in the Iowa Schools Joint Investment Trust was rated AAAm by Standard & Poor's Financial Services.

Interest Rate Risk - The Agency's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the Agency.

### NOTE 3. IOWA SCHOOL CASH ANTICIPATION PROGRAM (ISCAP)

The Agency participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by an annual issuance of anticipatory warrants. The warrant sizing of each participating entity is based on a projection of cash flow needs during the fiscal year. Bankers Trust Co. NA is trustee of the program.

The Agency pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. The Agency must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The Series 2013-2014 ONE included taxable warrants only. The interest rates on the taxable Series 2013-2014 ONE warrants are variable rates, calculated daily, based on the one-month LIBOR rate plus 105 base points. The LIBOR rate at June 30, 2014 was 0.1524%. A summary of the Agency's ISCAP activity for the year ended June 30, 2014 is as follows:

Series	Warrant Date	Final Warrant Maturity	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2013-2014 ONE	6/26/2013	12/1/2014	\$ -	\$ 250,000	\$ 250,000	\$ -

During the year ended June 30, 2013 the Agency paid \$123 interest on the ISCAP warrants.

## NOTES TO FINANCIAL STATEMENTS

### NOTE 4. CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2014 is as follows:

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	\$ 20,394	\$ -	\$ -	\$ 20,394
<b>Total capital assets not being depreciated</b>	<b>20,394</b>	<b>-</b>	<b>-</b>	<b>20,394</b>
Capital assets being depreciated:				
Improvements other than buildings	11,074	44,168	-	55,242
Buildings and improvements	1,471,241	70,947	-	1,542,188
Furniture and equipment	650,445	13,550	93,163	570,832
Media collection	2,648,028	178,923	153,989	2,672,962
Vehicles	151,174	15,383	15,531	151,026
<b>Total capital assets being depreciated</b>	<b>4,931,962</b>	<b>322,971</b>	<b>262,683</b>	<b>4,992,250</b>
Less accumulated depreciation for:				
Improvements other than buildings	11,074	2,208	-	13,282
Buildings and improvements	952,988	39,379	-	992,367
Furniture and equipment	353,619	86,779	86,222	354,176
Media collection	1,057,367	443,511	153,989	1,346,889
Vehicles	107,750	18,293	15,531	110,512
<b>Total accumulated depreciation</b>	<b>2,482,798</b>	<b>590,170</b>	<b>255,742</b>	<b>2,817,226</b>
<b>Total capital assets being depreciated, net</b>	<b>2,449,164</b>	<b>(267,199)</b>	<b>6,941</b>	<b>2,175,024</b>
<b>Governmental activities - capital assets, net</b>	<b>\$ 2,469,558</b>	<b>\$ (267,199)</b>	<b>\$ 6,941</b>	<b>\$ 2,195,418</b>

Depreciation expense was charged to functions of the Agency as follows:

Governmental activities:

Student support services	\$ 478,067
Instructional staff support services	1,853
General administration	16,408
Business administration	19,974
Plant operations and maintenance	61,270
Central and other support services	12,598

**Total governmental activities depreciation expense**

**\$ 590,170**

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5. LONG-TERM LIABILITIES

A summary of changes in long-term liabilities for the year ended June 30, 2014 is as follows:

	<b>Balance Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance End of Year</b>
Net OPEB liability	\$ 880,820	\$ 129,000	\$ -	\$ 1,009,820
	\$ 880,820	\$ 129,000	\$ -	1,009,820
Portion due within one year				-
Portion due after one year				\$ 1,009,820

### NOTE 6. OPERATING LEASES

The Agency has leased various facilities within the area and also has a rental agreement for a copy machine. These leases have been classified as operating leases and accordingly, all rents are charged to expenditures as incurred. The leases expire between June 30, 2015 and June 30, 2019. Certain leases are renewable for additional periods and most are noncancelable. Certain leases also require the payment of normal maintenance and insurance on the properties. In most cases, management expects that the leases will be renewed or replaced by other leases.

The following is a schedule by year of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2014.

<b>Year Ending June 30,</b>				
2015		\$ 158,383		
2016		110,980		
2017		81,780		
2018		81,780		
2019		63,996		
<b>Total</b>		\$ 496,919		

The total rental expenditures for the year ended June 30, 2014 for all operating leases, except those with terms of a month or less that were not renewed, was \$164,177.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7. PENSION AND RETIREMENT BENEFITS

The Agency contributes to the Iowa Public Employees' Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by State statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Agency is required to contribute 8.93% of annual covered salary. Contribution requirements are established by State statute. The Agency's contribution to IPERS for the years ended June 30, 2014, 2013 and 2012 was \$1,499,603, \$1,415,722 and \$1,285,775, respectively.

### NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description The Agency operates a single-employer health benefit plan which provides medical and prescription drug benefits for employees, retirees and their spouses. There are 300 active and 21 retired members in the plan. Retired participants must be age 55 or older at retirement.

The medical and prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy The contribution requirements of plan members are established and may be amended by the Agency. The Agency currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation The Agency's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Agency, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Agency's annual OPEB cost for the year ended June 30, 2014, the amount actually contributed to the plan and changes in the Agency's net OPEB obligation:

Annual required contribution		\$ 236,000		
Interest on net OPEB obligation		34,000		
Adjustment to annual required contribution		(29,000)		
Annual OPEB cost		241,000		
Contributions made		(112,000)		
Increase in net OPEB obligation		129,000		
Net OPEB obligation beginning of year		880,820		
Net OPEB obligation end of year		\$ 1,009,820		

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued) For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2012. The end of year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

For the year ended June 30, 2014, the Agency contributed \$3,997,655 to the medical plan. Plan members eligible for benefits contributed \$338,252 or 7.8% of the premium cost.

The Agency's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized as follows:

<b>Year Ended</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
June 30, 2011	\$ 222,000	55.87%	\$ 641,000
June 30, 2012	234,820	52.80	751,820
June 30, 2013	241,000	46.47	880,820
<b>June 30, 2014</b>	<b>241,000</b>	<b>46.47</b>	<b>1,009,820</b>

Funded Status and Funding Progress As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$2,015 million, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$2,015 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$16,606,000, and the ratio of the UAAL to covered payroll was 12.13%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for the Retiree Health Plan, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 8. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions (continued) As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% discount rate based on the Agency's funding policy. The projected annual medical trend rate is 10.0%. The ultimate medical trend rate is 5.0%. The medical trend rate is reduced 0.5% each year until reaching the 5.0% ultimate trend rate. An inflation rate of 0.0% is assumed for the purpose of this computation.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial report as of June 30, 2011 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2011.

Projected claim costs of the medical plan are \$991 per month for retirees less than age 65. The Agency does not have any retirees on the medical plan who have attained age 65. The salary increase rate was assumed to be 3.50% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

### NOTE 9. RISK MANAGEMENT

The Agency is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The Agency assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### NOTE 10. PROSPECTIVE ACCOUNTING CHANGE

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB No. 27. This statement will be implemented for the fiscal year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the government's proportionate share of the employee pension plan.



**GREEN HILLS AEA**

## **REQUIRED SUPPLEMENTARY INFORMATION**

<b>GREEN HILLS AEA</b>				
<b>STATEMENT OF REVENUES, EXPENDITURES/EXPENSES AND CHANGES IN BALANCES - BUDGET AND ACTUAL - ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND</b>				
<b>Required Supplementary Year Ended June 30, 2014</b>				
	<b>Total Governmental Fund Types</b>	<b>Budget</b>		<b>Final to Actual</b>
	<b>Actual</b>	<b>Original</b>	<b>Final</b>	<b>Variance</b>
Revenues:				
Local sources	\$ 9,748,297	\$ 9,194,052	\$ 11,183,268	\$ (1,434,971)
State sources	9,812,930	10,819,301	9,806,523	6,407
Federal sources:	10,803,358	11,861,807	11,007,530	(204,172)
<b>Total revenues</b>	<b>30,364,585</b>	<b>31,875,160</b>	<b>31,997,321</b>	<b>(1,632,736)</b>
Expenditures/Expenses:				
Current:				
Instruction	2,855,044	3,622,575	3,679,398	824,354
Student support services	13,678,336	13,718,468	14,018,744	340,408
Instructional staff support services	6,185,929	6,582,523	6,618,921	432,992
General administration	3,103,617	3,441,865	3,471,668	368,051
Business administration	641,967	656,070	663,077	21,110
Plant operations and maintenance	903,435	928,281	908,636	5,201
Central and other support services	1,654,653	1,625,229	1,638,601	(16,052)
Community Services	100,587	111,082	115,101	14,514
Pass through to LEAs	1,922,641	2,135,749	1,922,641	-
Facilities acquisition and construction	304,937	-	345,000	40,063
<b>Total expenditures/ expenses</b>	<b>31,351,146</b>	<b>32,821,842</b>	<b>33,381,787</b>	<b>2,030,641</b>
<b>Excess (deficiency) of revenues over (under) expenditures/expenses</b>	<b>(986,561)</b>	<b>(946,682)</b>	<b>(1,384,466)</b>	<b>397,905</b>
Other Financing Sources/Uses:				
Transfers in	304,937	-	345,000	(40,063)
Transfers out	(304,937)	-	(345,000)	40,063
<b>Total other financing sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Excess (deficiency) of revenues and other financing sources/uses over (under) expenditures</b>	<b>(986,561)</b>	<b>(946,682)</b>	<b>(1,384,466)</b>	<b>397,905</b>
Balance, beginning of year	4,037,365	2,576,765	4,037,365	-
Balance, end of year	\$ 3,050,804	\$ 1,630,083	\$ 2,652,899	\$ 397,905
See accompanying Independent Auditor's Report.				

**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING**

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This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

The Agency's Board of Directors annually prepares a budget on a basis consistent with U.S. generally accepted accounting principles for all funds except Agency Funds. Although the budget document presents function expenditures/expenses by fund, the legal level of control is at the total expenditure/expense level, not by fund. After required public notice and hearing in accordance with the Code of Iowa, the Board submits its budget to the State Board of Education. The State Board reviews the proposed budget and either grants approval or returns it without approval with comments. Any unapproved budget must be resubmitted to the State Board for final approval. The budget may be amended during the year utilizing procedures prescribed by the State Board.

For the year ended June 30, 2014, the Agency's expenditures/expenses did not exceed the approved budget.

**GREEN HILLS AEA**

**Schedule of Funding Progress for the Retiree Health Plan (In Thousands)**

**Required Supplementary Information**

<b>Year Ended June 30,</b>	<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrued Liability (AAL) (b)</b>	<b>Unfunded AAL (UAAL) (b - a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>UAAL as a Percentage of Covered Payroll ((b - a)/c)</b>
2011	7/1/2010	\$ -	\$ 1,932	\$ 1,932	0.00%	\$ 16,497	11.71%
2012	7/1/2010	-	1,932	1,932	0.00	15,787	12.24
2013	7/1/2012	-	2,015	2,015	0.00	16,329	12.34
<b>2014</b>	<b>7/1/2012</b>	<b>-</b>	<b>2,015</b>	<b>2,015</b>	<b>0.00</b>	<b>16,606</b>	<b>12.13</b>

See Note 8 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.

See accompanying independent auditor's report.

**GREEN HILLS AEA**

## **OTHER SUPPLEMENTARY INFORMATION**

<b>GREEN HILLS AEA</b>				<b>Schedule 1</b>
<b>CHANGES IN ASSETS AND LIABILITIES - FIDUCIARY FUND TYPE - AGENCY FUND</b>				
<b>Year Ended June 30, 2014</b>				
	Balance Beginning of Year	<b>Additions</b>	<b>Deductions</b>	<b>Balance End of Year</b>
<b>Assets</b>				
Cash	\$ 51,679	\$ 115,844	\$ 153,407	\$ 14,116
<b>Total assets</b>	\$ 51,679	\$ 115,844	\$ 153,407	\$ 14,116
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 26,676	\$ 26,676	\$ -
Deposits held in custody for others/ deferred revenue	51,679	154,184	191,747	14,116
<b>Total liabilities</b>	\$ 51,679	\$ 180,860	\$ 218,423	\$ 14,116
See accompanying independent auditor's report.				

<b>GREEN HILLS AEA</b>				<b>Schedule 2</b>
<b>DEPARTMENT OF PUBLIC HEALTH GRANTS</b>				
<b>Year Ended June 30, 2014</b>				
Comprehensive Substance Abuse Prevention - East Region				\$ 58,651
Comprehensive Substance Abuse Prevention - West Region				123,626
Ringgold				65,147
<b>Total direct expenditures</b>				247,424
Distribution of central support expenditures				4,816
Distribution of administration and plant operations and maintenance				10,432
<b>Total expenditures</b>				262,672
Funding received or due from Department of Public Health				247,424
Expenditures paid from Agency General Funds				\$ 15,248
See accompanying independent auditor's report.				

**DEPARTMENT OF HUMAN SERVICES GRANTS**  
**Year Ended June 30, 2014**

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**School Based Supervision Programs:**

## Revenue:

Juvenile Court Services	\$ 420,000	
Local School Districts	450,731	
<b>Total revenue</b>		\$ 870,731

## Expenditures:

Direct expenditures	850,656	
Indirect cost	20,075	
<b>Total expenditures</b>		870,731

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See accompanying independent auditor's report.



<b>GREEN HILLS AEA</b>				<b>Schedule 4</b>
<b>SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION - ALL GOVERNMENTAL FUNDS</b>				
<b>For the Last Four</b>				
	<b>2014</b>	2013	2012	2011
Revenues:				
Local	\$ 9,748,297	\$ 9,653,167	\$ 9,440,684	\$ 9,723,204
State	9,812,930	9,244,591	9,219,881	11,174,471
Federal	10,803,358	11,244,554	11,465,203	12,644,302
<b>Total revenue</b>	<b>\$ 30,364,585</b>	<b>\$ 30,142,312</b>	<b>\$ 30,125,768</b>	<b>\$ 33,541,977</b>
Expenditures:				
Instruction	\$ 2,855,044	\$ 2,792,646	\$ 2,887,658	\$ 3,184,684
Student support services	13,678,336	13,652,914	13,305,360	13,067,477
Instructional staff support services	6,185,929	6,284,414	6,474,723	7,110,133
General administration	3,103,617	3,172,193	2,920,939	3,114,317
Business administration	641,967	737,183	639,906	607,828
Plant operations and maintenance	903,435	884,506	1,020,787	922,693
Central and other support services	1,654,653	1,423,182	1,582,118	1,820,340
Community services	100,587	98,108	92,307	148,338
Facilities acquisition and construction	304,937	1,154,126	20,000	-
Pass through to LEAs	1,922,641	2,135,749	2,113,720	2,170,808
<b>Total expenditures</b>	<b>\$ 31,351,146</b>	<b>\$ 32,335,021</b>	<b>\$ 31,057,518</b>	<b>\$ 32,146,618</b>
See accompanying independent auditor's report.				

<b>GREEN HILLS AEA</b>			<b>Schedule 5</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>			
<b>Year Ended June 30, 2014</b>			
<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>U. S. Department of Education:</b>			
Passed-through Iowa Department of Education:			
Education of Handicapped Act (EHA) Part B: 94-142:			
Special Education - Grants to States (IDEA, Part 3) -			
Early Childhood Education for the Handicapped	84.027	131413	\$ 7,392,331
Early Childhood Education LEA Flow Through	84.027	1KB22-13	1,922,641
Special Education - Preschool Grants (IDEA Preschool) - Section 619, Ages 3-5	84.173	13619-13	358,741
IQPPS Verification Visits	84.173	023514	4,500
Special Education - Grants for Infants and Families with Disabilities - 94-142 Part C:			
IDEA, Part C, Infants and Toddlers	84.181	C11-13	244,401
Special Education - Grants to States (IDEA, Part 3) - Miscellaneous 94-142:			
Parent Educator Project	84.027	3K74-13	106,835
General Supervision Enhancement	84.027	005914	117,345
LETRS Training	84.027	005714	10,180
Statewide Directors Meeting	84.027	012214	313
Specially Designed Instruction	84.027	028314	500
Iowa Core Significant Disabilities	84.027A	002414	2,848
Iowa Core Significant Disabilities	84.027A	050614	2,136
Transition Institute	84.027A		3,450
Iowa Safe and Supportive Schools	84.184Y	004814	91,322
Perkins Career and Technical Education	84.048	G40159-008	197,147
Title III ELL/LEP	84.365	14ELA-08	60,732
Teacher Quality Partnership	84.405	046814	22,511
<b>Received from the University of Northern Iowa:</b>			
Thinking Mathematically in Middle Grades	84.367B	S5865A	6,279
<b>Received from LEA:</b>			
Title 1 Funds for Quakerdale Shelter Program	84.010		2,460
<b>Total U. S. Department of Education</b>			<b>10,546,672</b>
(Continued on next page)			

<b>GREEN HILLS AEA</b>			<b>Schedule 5</b>
			<b>(Continued)</b>
<b>SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS</b>			
<b>Year Ended June 30, 2014</b>			
<b>Federal Grantor/ Pass-Through Grantor/ Program Title</b>	<b>Federal CFDA Number</b>	<b>Pass-through Grantor's Number</b>	<b>Expenditures</b>
<b>U. S. Department of Health and Human Services:</b>			
Passed-Through Iowa Department of Public Health:			
Block Grants for Prevention and Treatment of Substance Abuse:			
Comprehensive Prevention - Comp 9	93.959	5884CP09	\$ 116,213
Comprehensive Prevention - Comp 10	93.959	5884CP10	53,207
Comprehensive Prevention - Ringgold	93.959	5884CP10	65,147
Passed-Through Iowa Schools Employee Benefit Assoc			
Early Retiree Insurance Program	93.546		2,805
Passed-Through Iowa Department of Human Services:			
Medical Assistance Program:			
Title 19 Medicaid Reimbursement	93.778		1,875
Part C Infants and Toddlers Reimbursement	93.778		17,439
<b>Total Department of Health and Human Services</b>			256,686
<b>Total Expenditures of Federal Awards</b>			<b>\$ 10,803,358</b>

**Basis of Presentation** – The Schedule of Expenditures of Federal Awards includes the federal grant activity of Green Hills AEA and is presented on the modified accrual basis. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.



**GREEN HILLS AEA**

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors  
Green Hills AEA  
Council Bluffs, Iowa

We have audited in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Green Hills AEA as of and for the year ended June 30, 2014, and the related Notes to Financial Statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated November 17, 2014.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Green Hills AEA's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Green Hills AEA's internal control. Accordingly, we do not express an opinion on the effectiveness of Green Hills AEA's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Agency's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control, which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Green Hills AEA's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about Green Hills AEA's operations for the year ended June 30, 2014 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of Green Hills AEA. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Green Hills AEA during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

## **Schnurr & Company, LLP**

Fort Dodge, Iowa  
November 17, 2014

**GREEN HILLS AEA**

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**



**SCHNURR & COMPANY, LLP**  
Certified Public Accountants and Consultants

**INDEPENDENT AUDITOR'S REPORT  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133**

Board of Directors of  
Green Hills AEA  
Council Bluffs, Iowa

**Report on Compliance for Each Major Federal Program**

We have audited Green Hills AEA's compliance with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014. Green Hills AEA's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of Green Hills AEA's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Green Hills AEA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Green Hills AEA's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, Green Hills AEA complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

## **Report on Internal Control Over Compliance**

The management of Green Hills AEA is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Green Hills AEA's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Green Hills AEA's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

## **Schnurr & Company, LLP**

Fort Dodge, Iowa  
November 17, 2014

## **GREEN HILLS AEA**

### **Schedule of Findings and Questioned Costs Year Ended June 30, 2014**

#### **Part I: Summary of the Independent Auditor's Results**

- (a) Unmodified opinions were issued on the financial statements.
- (b) No reportable conditions in internal control over financial reporting were disclosed.
- (c) The audit did not disclose any non-compliance that is material to the financial statements.
- (d) No reportable conditions in internal control over compliance with requirements applicable to major federal award programs were disclosed by the audit.
- (e) An unmodified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings required to be reported by OMB Circular A-133, Section .510(a).
- (g) The major programs were:
  - Clustered programs:
    - ◆ Special Education Cluster (IDEA):
      - CFDA Number 84.027 – Special Education – Grants to States
      - CFDA Number 84.173 – Special Education – Preschool Grants
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Green Hills AEA qualified as a low-risk auditee.

#### **Part II: Financial Statement Findings Section:**

None.

#### **Part III: Findings and Questioned Costs For Federal Awards:**

None.

## GREEN HILLS AEA

### Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2014

#### **Part IV: Other Findings Related to Required Statutory Reporting:**

- IV-A-14    Budget: Expenditures during the year ended June 30, 2014 did not exceed the amounts budgeted.
- IV-B-14    Questionable Expenditures: No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- IV-C-14    Travel Expense: No expenditures of Agency money for travel expenses of spouses of Agency officials or employees were noted.
- IV-D-14    Business Transactions: No business transactions between the Agency and Agency officials or employees were noted.
- IV-E-14    Bond Coverage: Surety bond coverage of Agency officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.
- IV-F-14    Board Minutes: No transactions requiring Board approval were noted which had not been approved.
- IV-G-14    Deposits and Investments: No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.
- IV-H-14    Certified Annual Report: The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-I-14    Categorical Funding: No instances were noted of categorical funding used to supplant rather than supplement other funds.